

## Message Text

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INFO OCT-01 EA-07 ISO-00 EB-03 RSC-01 /012 R

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COM/BIC/OED/MEPD/JSANDS, DIR.

EB/OCA/REP - MR. WILSON

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P 111631Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI PRIORITY

UNCLAS STATE 224720

E.O. 11652: N/A

TAGS:BEXP, TI

SUBJECT: CHUNG HSIN ALLOY STEEL PLANT

REF: TAIPEI 6174

1. BIRDSBORO AGENT IN TAIPEI SUGGESTS OPENING MAY NOW EXIST FOR BIRDSBORO TO NEGOTIATE A CONTRACT. SEVERAL WEEKS AGO, CONTENDERS FOR THIS PROJECT WERE ASKED TO PROVIDE GROC WITH LETTERS FROM CUSTOMERS ATTESTING TO SATISFACTORY SUPPLY AND INSTALLATION OF SIMILAR EQUIPMENT. WE ARE INFORMED THAT KRUPP HAS NEVER SUPPLIED A ROD FINISHING BLOCK WHICH REPRESENTS ABOUT ONE-THIRD OF PROJECT.

2. AS TO ESCALATION, BASED ON USDOC EXPERIENCE AND ADVICE OF OTHER TRADE SOURCES, NO US COMPANY IN THIS SECTOR WOULD BID FIXED PRICE ON AN OVERSEAS CONTRACT AT THIS TIME. WE ARE ADVISED THAT BIRDSBORO IS WILLING TO DISCUSS PRICING, HOWEVER, AND IS AGREEABLE TO A FLEXIBLE APPROACH. THEY ARE HOPEFUL THAT SOME MUTUALLY ACCEPTABLE FORMULA COULD BE WORKED OUT TO ARRIVE AT A MUTUALLY ACCEPTABLE BUDGETARY FIGURE FOR GROC.

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3. R. A. MILLER, V.P. OF BIRDSBORO HAS REQUESTED THE

FOLLOWING MESSAGE BE PASSED TO GENERAL KAO, MINISTER OF

NATIONAL DEFENSE. WHILE WE HAVE SOME RESERVATIONS, WE BELIEVE EMBASSY IN BEST POSITION TO DETERMINE WHETHER TO DELIVER MESSAGE. IN ANY EVENT, IT SHOULD BE MADE CLEAR MESSAGE IS FROM BIRDSBORO AND NOT USG. BIRDSBORO MESSAGE FOLLOWS:

4. QUOTE BIRDSBORO HAS PROPOSED THE MOST MODERN DESIGN FOR THE BEST QUALITY PRODUCT COMBINED WITH ARMCO INTERNATIONAL KNOWHOW AND EXPERIENCE IN SPECIAL STEEL MELTING AND ROLLING. WE HAVE 35 YEARS OF EXPERIENCE IN CARBON AND SPECIAL STEEL ROLLING OF BAR AND ROD PRODUCT WITH NINE INSTALLATIONS IN US AND THREE ABROAD IN MAJOR PRODUCING PLANTS.

5. THIS PROJECT IS TO BE A PACKAGE PROPOSAL WITH ROLLING MILLS AND KNOW-HOW. KRUPP CANNOT MEET REQUIREMENTS AND SHOULD BE DISQUALIFIED. BIRDSBORO WAS SECOND IN BIDDING AND SHOULD NOW BE IN FAVOR BASED ON ABILITY TO FURNISH COMPLETE PACKAGE. COMPARISON OF PRICING ALONE WHEN PURCHASING A NEW FACILITY WITHOUT REFERENCE TO ABILITY, QUALITY OF PRODUCT, AND EXPERIENCE, IS NOT ONLY UNFAIR BUT A GREAT RISK TO CHUNG HSIN WHO MUST LEARN TO OPERATE AND PRODUCE COMPETITIVE FINISHED PRODUCT FOR YEARS TO COME.

6. ANOTHER VERY IMPORTANT POINT IN THE CASE OF A QUOTATION BASED ON FIXED PRICE OF DEUTSCHE MARKS IS THAT THE EXCHANGE RATE OF THE MARK WITH NT DOLLARS IS FLOATING AS AGAINST THE FIXED US DOLLAR. IT WOULD SEEM IMPOSSIBLE TO KNOW EXACTLY WHAT THE INCREASE IN EXCHANGE RATE OF DM TO NT DOLLARS WILL BE AT TIME OF SHIPMENT. THEREFORE, OUR QUOTING US DOLLARS WITH AN ESCALATION CLAUSE BASED ON US GOVERNMENT INDICES FOR LABOR AND MATERIAL IS THE SAME AS QUOTING FIRM DM PRICES WITH A FLOATING EXCHANGE RATE.

7. PRICING SHOULD BE EVALUATED ON THE SAME BASIS AT TODAY'S RATE TO BE FAIR. UNQUOTE  
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8. SUGGEST THAT FOR FURTHER INFO AND STRATEGY, EMBASSY CONTACT MR. CHIANG, EVERLAST INDUSTRIAL CORPORATION, LTD.; 22, 2ND FLOOR, CHUNG SHAN N. RD., SECTION 1, TAIPEI, AND PROVIDE ALL POSSIBLE APPROPRIATE SUPPORT. BIRDSBORO IS PREPARED TO DISPATCH REPRESENTATIVE, ACCOMPANIED BY MAN FROM ARMCO, IF CUSTOMER DESIRES TALKS AND APPEARS FLEXIBLE TOWARD WORKING OUT MUTUALLY

ACCEPTABLE PRICING ARRANGEMENT. EMBASSY COMMENTS ON  
THIS ASPECT WOULD BE APPRECIATED. INGERSOLL

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